

IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM[495]

Notice of Intended Action

Twenty-five interested persons, a governmental subdivision, an agency or association of 25 or more persons may demand an oral presentation hereon as provided in Iowa Code section 17A.4(1)“b.”

Notice is also given to the public that the Administrative Rules Review Committee may, on its own motion or on written request by any individual or group, review this proposed action under section 17A.8(6) at a regular or special meeting where the public or interested persons may be heard.

Pursuant to the authority of Iowa Code sections 97B.4 and 97B.15, the Iowa Public Employees' Retirement System (IPERS) hereby amends Chapter 2, “Investment Board,” Chapter 4, “Employers,” Chapter 7, “Service Credit and Vesting Status,” Chapter 11, “Application for, Modification of, and Termination of Benefits,” Chapter 12, “Calculation of Monthly Retirement Benefits,” and Chapter 14, “Death Benefits and Beneficiaries,” Iowa Administrative Code.

IPERS proposes the following amendments: to update a superseded citation to former Iowa Code chapter 19A; to implement new contribution rates for regular and special service members effective July 1, 2012; to adopt a vesting provision required by the IRS in IPERS' most recent determination letter ruling; to adopt a vesting interpretation necessitated by the description of pre-July 1, 2012, vesting contained in 2010 Iowa Acts, House File 2518, section 21; to adopt a lump sum paper warrant processing fee of \$1; to modify the method by which the lump sum present value is determined for preretirement death benefits for members with both regular and special service credits; and to clarify a death benefits provision relating to members who retire, are reemployed, and die without re-retiring.

In addition, multiple items are adopted or amended to conform the current rules to the requirements of 2010 Iowa Acts, House File 2518, primarily to reflect vesting changes, early retirement reduction, and average salary changes contained in that bill.

These amendments were prepared after consultation with IPERS' staff, IPERS' actuary and the Benefits Advisory Committee.

Any interested person may make written suggestions or comments on the proposed amendments on or before January 17, 2012. Such written suggestions or comments should be directed to the IPERS Administrative Rules Coordinator at IPERS, 7401 Register Drive, P.O. Box 9117, Des Moines, Iowa 50306-9117. Persons who wish to present their comments orally may contact the IPERS Administrative Rules Coordinator at (515)281-3081. Comments may also be submitted by fax to (515)281-0045 or by E-mail to adminrule@ipers.org.

Also, a public hearing will be held on January 17, 2012, at 9 a.m. at IPERS, 7401 Register Drive, Des Moines, Iowa. Persons may present their views either orally or in writing. At the hearing, persons will be asked to give their names and addresses for the record and to confine their remarks to the subject matter of the amendments.

There are no waiver provisions included in the proposed amendments.

After analysis and review of this rule making, no impact on jobs has been found.

These amendments are intended to implement Iowa Code sections 97B.4 and 97B.15.

The following amendments are proposed.

ITEM 1. Amend rule **495—2.1(97B)**, numbered paragraph “**6**,” as follows:

6. In the event that it should become necessary to fill the chief investment officer position, the board may consult with, and make hiring recommendations to, the chief executive officer that are consistent with provisions in Iowa Code sections 19A.2A and 19A.9(3) the requirements of Iowa Code chapter 8A, subchapter IV.

ITEM 2. Amend paragraph **4.6(1)“b”** as follows:

b. Effective July 1, 2012, and every year thereafter, the contribution rates for regular members shall be publicly declared by IPERS staff no later than the preceding December as determined by the annual valuation of the preceding fiscal year. The public declaration of contribution rates will be followed

by rule making that will include a notice and comment period and that will become effective July 1 of the next fiscal year. Contribution rates for regular members are as follows.

	Effective July 1, 2012
<u>Combined rate</u>	<u>14.45%</u>
<u>Employer</u>	<u>8.67%</u>
<u>Employee</u>	<u>5.78%</u>

ITEM 3. Amend subrule 4.6(2) as follows:

4.6(2) Contribution rates for sheriffs and deputy sheriffs are as follows.

	Effective July 1, 2007	Effective July 1, 2008	Effective July 1, 2009	Effective July 1, 2010	Effective July 1, 2011	Effective July 1, 2012
Combined rate	15.40%	15.04%	15.24%	17.88%	19.66%	<u>19.80%</u>
Employer	7.70%	7.52%	7.62%	8.94%	9.83%	<u>9.90%</u>
Employee	7.70%	7.52%	7.62%	8.94%	9.83%	<u>9.90%</u>

ITEM 4. Amend subrule 4.6(3) as follows:

4.6(3) Contribution rates for protection occupation are as follows.

	Effective July 1, 2007	Effective July 1, 2008	Effective July 1, 2009	Effective July 1, 2010	Effective July 1, 2011	Effective July 1, 2012
Combined rate	14.11%	14.08%	15.34%	16.59%	16.62%	<u>17.11%</u>
Employer	8.47%	8.45%	9.20%	9.95%	9.97%	<u>10.27%</u>
Employee	5.64%	5.63%	6.14%	6.64%	6.65%	<u>6.84%</u>

ITEM 5. Adopt the following **new** paragraph **7.1(1)“c”**:

e. Notwithstanding paragraph 7.1(1) “d” above, effective July 1, 2012, a nonvested member who is not vested by age as of June 30, 2012, can only become vested by age if the member terminates employment at age 65 or older while in covered employment.

ITEM 6. Adopt the following **new** paragraph **7.3(1)“c”**:

c. Effective July 1, 2012, vesting by age and vesting by service shall be determined as provided in Iowa Code section 97B.1A(25) “a” through “d.” A member who is vested by age or by service as of June 30, 2012, shall remain vested following the implementation of new vesting requirements on July 1, 2012.

ITEM 7. Adopt the following **new** subrule 7.3(4):

7.3(4) *Benefit nonforfeitable upon attaining normal retirement age.* For purposes of compliance with the Internal Revenue Code and related guidance, the normal retirement benefit, which is the benefit calculated under Iowa Code sections 97B.49A through 97B.49D, is nonforfeitable upon attainment of normal retirement age, which: (1) prior to July 1, 2012, is age 55 or the completion of 16 quarters of IPERS covered employment, whichever is later; and (2) for members who are not vested under one of the methods under (1) on July 1, 2012, is age 65 or completion of 28 quarters of IPERS covered employment, whichever is later. The retirement benefit is subject to the provisions of Iowa Code section 97B.52A. This subrule is not to be construed as a reduction or limitation of rights heretofore existing, nor as an indication that vested benefits would be forfeitable before the stated age is attained.

ITEM 8. Adopt the following **new** subrule 7.3(5):

7.3(5) IPERS shall interpret Iowa Code section 97B.1A(25) “a”(3), as enacted in 2010 Iowa Acts, House File 2518, section 21, as follows: for periods prior to July 1, 2012, the phrase “has attained the age of fifty-five or greater while in covered employment” means “has attained the age of fifty-five or greater while an active member, as defined in Iowa Code section 97B.1A(3)”.

ITEM 9. Amend subrule **11.6(1)**, catchwords, as follows:

11.6(1) ~~Paper~~ Monthly paper warrants processing fee.

ITEM 10. Adopt the following **new** subrule 11.6(6):

11.6(6) Lump sum paper warrants processing fee. Effective April 1, 2012, and thereafter, IPERS shall charge \$1 for paper warrants issued in payment of all nonrecurring lump sum distributions. If a nonrecurring lump sum distribution is followed by a supplemental lump sum distribution due to the reporting of additional covered wages, the \$1 processing fee shall also be charged. This \$1 processing fee shall not apply to a direct rollover described under Iowa Code section 97B.53B (however, processing fees may be charged for multiple rollover requests), lump sum mandatory account distributions required under Iowa Code section 97B.48(5), mandatory lump sum distributions required under Internal Revenue Code Section 401(9), or warrants reissued in forged endorsement or other fraudulent payment situations.

ITEM 11. Adopt the following **new** paragraph **12.1(2)“f”**:

f. For the portion of the member's retirement allowance based on service through June 30, 2012, the early retirement reduction shall be calculated as provided in paragraphs 12.1(2) “a” through “e.” For the portion of the retirement allowance based on years of service beginning July 1, 2012, and later, the member's early retirement reduction shall be one-half of one percent for each month that the early retirement precedes the date the member attains age 65.

ITEM 12. Adopt the following **new** paragraph **12.1(7)“d”**:

d. Effective July 1, 2012, a nonvested member's average covered wage shall be the member's five-year average covered wage calculated as provided in Iowa Code section 97B.1A(10A) “a.”

ITEM 13. Adopt the following **new** paragraph **12.1(7)“e”**:

e. Effective July 1, 2012, for members vested as of June 30, 2012, the member's average covered wage shall be the greater of the member's three-year average covered wage calculated as provided under paragraphs 12.1(7) “a” through “c,” or the member's five-year average covered wage calculated as provided in Iowa Code section 97B.1A(10A) “a.”

ITEM 14. Amend paragraph **12.4(1)“a”** as follows:

a. Members who ~~have a combined total of 16 quarters of service~~ are vested by service as defined in Iowa Code section 97B.1A(25) “d” may utilize the hybrid formula.

ITEM 15. Amend subparagraph **12.4(1)“b”(4)** as follows:

(4) Members ~~with less than 16 total quarters of service.~~ who are not vested by service as defined in Iowa Code section 97B.1A(25) “d.”

ITEM 16. Amend paragraph **12.4(2)“a”** as follows:

a. The member's ~~three-year~~ average covered wage shall be determined in the same manner as it is determined for the nonhybrid formula.

ITEM 17. Amend subrule 12.5(1) as follows:

12.5(1) For each ~~vested~~ member who is vested prior to July 1, 2012, but is retiring with less than four complete years of service, a monthly annuity shall be determined by applying the total reserve as of the effective retirement date (plus any retirement dividends standing to the member's credit on December 31, 1966) to the annuity tables in use by the system according to the member's age (or member's and contingent annuitant's ages, if applicable). If the member's retirement occurs before January 1, 1995, IPERS' revised 6.5 percent tables shall be used. If the member's retirement occurs after December 31, 1994, IPERS' 6.75 percent tables shall be used.

ITEM 18. Adopt the following **new** subrule 12.5(7):

12.5(7) For members who first become vested after June 30, 2012, the money purchase benefit calculated pursuant to this rule shall be provided to members who are not vested by service as defined in Iowa Code section 97B.1A(25) “d.”

ITEM 19. Adopt the following **new** subrule 12.7(7):

12.7(7) Commencement of level payment option reduction. The monthly benefit of a member who selects the level payment option shall be reduced beginning with the month after the member reaches age 62.

ITEM 20. Rescind paragraph **12.8(4)“b”** and adopt the following **new** paragraph in lieu thereof:

b. If the member would only qualify for a money purchase benefit under rule 495—12.5(97B) based solely on the period of reemployment, then the money purchase formula shall be used to compute the additional benefit amount due to the reemployment.

ITEM 21. Amend paragraph **12.8(4)“c”** as follows:

c. ~~If the reemployment period is 4 or more years the member would qualify for a non-money purchase retirement allowance based solely on the period of reemployment, the benefit formula in effect as of the first month of entitlement (FME) for the reemployment period shall be used. If the FME is July 1998 or later, and the member has more than 30 years of service, including both original and reemployment service, the percentage multiplier for the reemployment period only will be at the applicable percentage (up to 65 percent) for the total years of service.~~

ITEM 22. Amend paragraph **14.12(2)“a,”** definition of “Accrued benefit,” as follows:

“Accrued benefit” means the monthly amount that would have been payable to the deceased member under IPERS Option 2 at the member’s earliest normal retirement age, based on the member’s covered wages and service credits at the date of death. If a deceased member’s wage record consists of a combination of regular and special service credits, ~~the deceased member’s earliest normal retirement age shall be determined under the regular or special service benefit formula for which the majority of the deceased member’s service credits were reported~~ the monthly amount that would have been payable to the deceased member under Option 2 at the member’s earliest normal retirement age shall be determined separately for regular and special service credits, and then combined.

ITEM 23. Amend subparagraph **14.12(2)“j”(2)** as follows:

(2) The recomputation provided under subparagraph (1) shall apply only to beneficiaries of members who elected IPERS Option 4 or 6, where the member’s monthly benefit would have been increased by the period of reemployment, and is subject to the limitations of Iowa Code sections 97B.48A, 97B.49A, 97B.49B, 97B.49C, 97B.49D, and 97B.49G. The recalculation/recomputations provided under subparagraph (1) shall apply only to beneficiaries of members who elected IPERS Option 4 or 6, where the member’s monthly benefit would have been increased by the period of employment after the initial retirement, and is subject to the limitations of Iowa Code sections 97B.49A, 97B.49B, 97B.49C, 97B.49D, and 97B.49G. In all other cases, including cases where members previously received a lump sum payment under Iowa Code section 97B.48(1) in lieu of a monthly retirement allowance, preretirement death benefits under this subparagraph shall be ~~equal to~~ the lump sum amount equal to the accumulated employee and accumulated employer contributions.